

STATE OF SOUTH DAKOTA
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
BOARD OF MINERALS AND ENVIRONMENT

IN THE MATTER OF THE APPLICATION OF CONTINENTAL RESOURCES, INC. FOR AN ORDER OF THE BOARD AUTHORIZING THE RECOVERY OF RISK COMPENSATION FROM CERTAIN NONPARTICIPATING OWNERS, FOR THE DRILLING AND OPERATING OF THE CONRAD 24-11H WELL LOCATED IN A SPACING UNIT DESCRIBED AS SECTIONS 2 AND 11, TOWNSHIP 22 NORTH, RANGE 3 EAST, TABLE MOUNTAIN FIELD, HARDING COUNTY, SOUTH DAKOTA, PURSUANT TO ARSD CHAPTER 74:12:10, AND FOR OTHER RELIEF AS THE BOARD DEEMS APPROPRIATE.

OIL AND GAS
CASE NO. 60-2013

ORDER

SECRETARY'S ORDER UNDER SDCL 45-9-74

A Petition and Application of Continental Resources, Inc. ("Continental") for the recovery of a risk compensation from certain nonparticipating owners, for the drilling and operating of the Conrad 24-11H well was submitted to the South Dakota Board of Minerals and Environment ("Board") on November 25, 2013. The Board prepared and published a Notice of Opportunity for Hearing. No petition requesting a hearing was received. Therefore, pursuant to South Dakota Codified Laws (SDCL) 45-9-74 and SDCL 45-9-30 through 36 and based upon Continental's application and supporting documents, the Secretary makes and enters the following Order:

Continental is the owner of an interest in the oil and gas leasehold estate in portions of Sections 2 and 11, Township 22 North, Range 3 East, Harding County, South Dakota ("the Subject Lands"). Order No. 4-13 established the Subject Lands as a 1280-acre spacing unit in the Table Mountain Field, and authorized the issuance of a permit for the drilling of a horizontal well within the spacing unit.

The Department of Environment and Natural Resources issued a permit to drill the Conrad 24-11H well as a horizontal well on the Subject Lands. Drilling of the Conrad 24-11H well commenced on July 10, 2013.

There are both separately owned tracts and separately owned interests in the spacing unit comprised of the Subject Lands. All interests in the Subject Lands have been pooled by virtue of Order No. 27-13, dated August 26, 2013.

Under the current case, Continental has requested that the Board enter an order authorizing the recovery of risk compensation from certain owners for the drilling and operating of the Conrad 24-11H well. After this case was filed, Continental withdrew its request for the recovery of risk compensation as to Syneva Arithson, heir of Claudia Heide.

The interests of Steve D. Smith and Marsha Lehmann are not subject to a lease or other contract for development and said owners have elected not to participate in the drilling and operating of the Conrad 24-11H well.

As referenced in the Affidavit of Jim Canon, Continental made a good faith attempt to have unleased owners Steve D. Smith and Marsha Lehmann execute an oil and gas lease but was unsuccessful. Steve D. Smith, Marsha Lehmann, Prima Exploration, Inc., Captiva Resources, Inc., Vegas Production Co., Gunlikson Petroleum, Inc. and Marshall Resources, LLC were all provided notice of a well proposal and said owners failed or refused to respond in a timely manner to the same, or elected not to participate in the drilling and operating of the Conrad 24-11H well.

IT IS THEREFORE ORDERED

A. In accordance with the Administrative Rules of South Dakota (ARSD) 74:12:10:02, Continental is authorized to recover risk compensation of two-hundred percent of Prima

Exploration, Inc., Captiva Resources, Inc., Vegas Production Co., Gunlikson Petroleum, Inc. and Marshall Resources, LLC's respective shares of the reasonable actual costs of drilling, reworking, side-tracking, deepening, plugging back, testing, completing and recompleting the Conrad 24-11H well and the costs of newly acquired equipment in the well including the wellhead connection.

B. In accordance with ARSD 74:12:10:03 Continental is authorized to recover risk compensation of one-hundred percent of Steve D. Smith and Marsha Lehmann's respective shares of the reasonable actual costs of drilling, reworking, side-tracking, deepening, plugging back, testing, completing and recompleting the Conrad 24-11H well and the costs of newly acquired equipment in the well including the wellhead connection.

C. Risk compensation may be recovered only out of production from the pooled spacing unit, exclusive of a one-eighth royalty.

D. That all portions of previous orders of the Board, if any, which are not specifically amended by this Order remain in full force and effect until further order of the Board or Secretary.

Dated and signed this 27th day of January 2014.



Steven M. Pirner
Secretary
Department of Environment and Natural Resources